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BOOK REVIEWS

The Industrial System. An Inquiry into Earned and Unearned Income. By J. A. HOBSON. (London: Longmans, Green & Company, 1909. Pp. 328. \$2.50.)

One of the most valuable features of this work is its statement of the problem. The great problems for the next generation of economists will be those which center about the concept of distributive justice. No definite conclusions regarding that problem can be reached until we can discriminate sharply and clearly between earned and unearned incomes. But many books are likely to be written, and, it is to be feared, many bitter controversies waged before economists come to any agreement on this point. Nevertheless, it is imperative that the discussion begin, and that it begin at once. The author has therefore done an important service in showing the economic world where the really great problems lie, and in offering his solution of the most important of them. It is a call to the economists of the English speaking world to abandon the study of trivialities and to turn their attention to the large and fundamental problems of constructive statesmanship.

The solution which the author himself offers, however, cannot be expected to do more than re-open the campaign, or re-excite the combatants. There will be many, including the present reviewer, who will disagree with him on certain fundamental points, though agreeing cordially on others. The author's idea as to what in the abstract constitutes an *earned* income, seems excellent, and the list of definitions of the actual processes by which distribution takes place shows thoroughness, suggesting the method employed by Taussig in his *Wages and Capital*.

The most disappointing thing, however, about the book is its treatment of the concept of marginal productivity, which the author thinks he is refuting. It has often happened in the history of controversy that the disputants have discovered, after a long and fruitless discussion, that they were talking about absolutely

different things, and that when they came to understand one another they were not so widely apart as they had supposed. This has happened so often that one ought to have learned to be cautious about attacking what seems to him to be an utter absurdity, especially when that seeming absurdity is held by intelligent and serious men. The author's attack upon the marginal productivity theory of distribution is a case in point. He has no difficulty in showing the sheer absurdity of that theory *as he understands it*. But it is apparent to anyone who will take the trouble to compare his statement with that of any defender of the theory that there is nothing in common between them. To the author, marginal productivity means precisely the same as average productivity.¹ Whereas, if there is any thing that marginal productivity does *not* mean to the defender of the theory, it is average productivity. Therefore there is nothing to be gained by discussing the question until there can be an agreement as to the thing to be discussed. The whole result of the author's labored discussion of that theory is therefore a waste of effort, and the question stands exactly where it did before the book was written.

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T. N. CARVER.

Railroad Promotion and Capitalization in the United States. By FREDERICK A. CLEVELAND and F. W. POWELL. (New York: Longmans, Green & Company, 1909. Pp. xiv, 368. \$2 net.)

In this book the authors have essayed the ambitious task of covering the subjects of railroad promotion and capitalization for the whole United States from the inception of railroad building down to the present time. And it should be said at the start that in what they have done they have succeeded well. Certain phases of the subject had already been well worked up, such as federal land grants, while other subjects have been much neglected, and here they have broken fresh ground. Taken as a whole the book is a fresh, comprehensive, and scholarly study of certain portions of early railroad history. The title is somewhat misleading, for it is really a history of early railroad development, with more emphasis on promotion and construction than on capitalization.

¹ Cf. p. 110.